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8 August 1956

Working Group III has been requested to prepare by 30 August a concise summary report of Soviet economic activities in the free world which have a direct relationship to economic defense policy and to use as its sole reference the EIC Subgroup report on the subject being prepared for the CFEF. The subject report indicates in its forward that it is intended to be "primarily a factual statement of what the Communists are doing to expand their economic relations with under-developed areas of the Free World. The discussion of motives is limited to a consideration of the role that economic factors may have played in determining current Bloc economic policies. The broader question of Sino-Soviet Bloc political motives is covered in NIE-100-3-56."

There are already indications on the part of other agencies represented on Working Group III that a factual presentation will be inadequate. It is highly desirable that Soviet motivation be explored as well as alternate courses of action that may be pursued by the United States and possibly other western countries in the form of countermeasures.

In order to cope satisfactorily with this problem other sources should be investigated. For example papers have been prepared on the subject by Defense and State Departments for NATO and SEATO; OER/State has produced a series of reports; the Federal Reserve Bank of New York's recent paper on "East-West Competition in Foreign Aid," Max Millikan and W.W. Rostow's

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study of a "Proposal for a New Foreign Economic Policy" and NIE 100-3-56 are further illustrations of constructive source material.

It will be necessary to coordinate and utilize to the fullest the Agency's resources in this field in order to have a satisfactory end-product by 30 August.



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